

Economic Affairs Committee Staff
PO Box 201706
Helena MT 59620-1706.

Here is my article which you are free to publish, "Follow the Money"

Regards,

Jim Miller

jimmiller5417@yahoo.com

=====

FOLLOW THE MONEY!

--Who controls Montana's economic future?

By Jim Miller

Whoever controls the net profits derived in Montana will determine Montana's economic future. If such profits are "Montana-centric" then Montana's economy will grow. If not, then the economic future is doomed to repeat its recent past.

This conclusion is based on the thesis that Montana is on the losing end of retained profits, both from businesses as well as from individual disposable net income. Basically, the majority of the net after tax business profits are paid to persons not residing or doing further business in Montana. The same effect is probably true for a considerable amount of discretionary spending out of net personal disposable income.

The effect of not having such "Montana-centric" net profits retained by and returned to Montana (defined herein as "Montana retained earnings or MRE") are:

1. Wage scales remain at the poverty level for the vast majority of blue collar workers.
2. White collar workers do not enjoy the same income and hence Montana suffers from a "brain drain", especially among our college graduates.
3. The difference in cost of living in Montana versus other states is not sufficiently low to offset the lower wages paid. Hence, our workers are financially squeezed.

4. The lack of sufficient MRE prevents the accumulation of capital resources necessary to sponsor new enterprises and expansion of existing businesses in Montana.
5. When Montana welcomes a labor intensive business from "outside", there is a good chance that sooner or later, it will relocate to where labor costs are cheaper. Not a good long-term strategy.
6. Without sufficient MRE, the economic bottom dwellers cost Montana a bunch of money (which could be put to better use) through:
 - 6.1. Welfare and health costs
 - 6.2. Crime and its governmental and citizen costs.
 - 6.3. Loss of productivity caused by the absence of highly skilled workers
 - 6.4. Loss of business opportunities due to lack of capital formation
7. And many more losses-- the list is long.

Of the millions in exports during the past ten years, how much of the net profit out of such gross revenue "stuck" in Montana? Simply getting money back from the "outside" to cover costs is just a wash -- trading dollars. While important, trading dollars does little to make the commercial economy grow and improve wage and working conditions.

There is an influx of tourists and new-comers with money. While welcome, these folks are mostly consumers, wanting housing and need to do shopping in our shopping centers. Since there is no sales tax, new folks constitute a drain on the current local and state infrastructure. We do not need more low pay, part time jobs in XXX-Mart or YYY-Depot. We need good jobs, -- high pay with stability. We cannot get from here to there with a continued drain of net profit flowing from Montana to the hinterland.

Business recruitment whereby the net profits are "out-sourced" (exported from Montana) should not take place in preference of business recruitment of companies which are Montana-centric, e.g. whereby the net profits will stay in Montana.

"There is a growing understanding that economic development strategies founded primarily on business recruitment are not in rural America's best interest and that there is a needs to be a greater emphasis on homegrown development."

W.K. Kellogg Foundation, *Mapping Rural Entrepreneurship*,

p. 4. [Battle Creek, MI].

This approach ought to sit well with most Montanans - "home grown" is our middle name. We need to create a revolving incubator business fund which will help start and sustain micro-

enterprises which are Montana-centric. A bill in the Montana Legislature last year to do this did not pass. Who were the clueless legislators who failed to support this type of legislation, and why do we need them in office? Perhaps we, the voters, should "outsource" some of our politicians to the places where some of our manufacturing jobs have gone.

Where do the net profits go? Business having operations here, have shareholders living elsewhere, who get the net profits. This goes for the extractive, farming, banking and just about all businesses. While "Buy Montana" is a good idea, what good does it do if the net profit goes to rest outside of Montana?

Montana beat out Louisiana and Mississippi as the lowest wage state. Other stats are similar. Why?

The big, gaping hole in our economic analysis and database of what is wrong with Montana's economy is just this point. WHAT WE CANNOT MEASURE, WE CANNOT MANAGE. There appears to be NO MEASUREMENT of the amount of net after tax profits (both business and personal) which come to rest in Montana versus what goes to rest outside of Montana.

Solutions abound. For instance, if all of the boards of retirement were to invest the retirement funds only in Montana-centric companies which made sure that all or nearly all of the MRE stayed in Montana, there would be a shift in wealth from outside Montana to inside Montana. If this notion were put in high gear for all "investors" in Montana, it would make a considerable difference over the long haul.

State and local agencies should "Buy Montana", but only from those companies where the MRE stays in Montana. While this is not a perfect world, at least we should strive to "bring home the bacon" or better yet, don't let the other guy steal our bacon. Let's not let it slip out of Montana to the board rooms of New York, Chicago, Dallas, L.A, etc.

It is perhaps more important that we consider the rural parts of the northwest as basically one large economic entity and at least try to keep as much profit as possible turning within this region before it goes to the "big cities".

I would like to report that Montana's state agencies are "heads up" on this issue and have developed some good stats. Apparently, no such stats exist. Apparently, the state government is clueless. The hope is that the next Montana Governor and Legislature will rise to the occasion and produce a strong, well financed, business incubator revolving fund for Montana-centric startups and buildups.

Respectfully submitted,

Jim Miller

jimmiller5417@yahoo.com